SESSIONAL PAPER NO. 5 1972

GOVERNMENT GUARANTEE FOR A LOAN BY THE IBRD (WORLD BANK) TO THE E.A.H. CORPORATION

THE GUARANTEE (LOANS) ACT. CAP.461

In accordance with the provisions of the Guarantee (Loans) Act Cap.461, the following information is laid before the National Assembly relating to a Guarantee which the Kenya Government proposes to give jointly and severally with the Government of the United Republic of Tanzania, and the Republic of Uganda in respect of a Loan in various currencies equivalent to US$26,500,000 or approximately K£9,464,286 at the present rate of exchange, by the International Bank for Reconstruction and Development (World Bank) to the East African Harbours Corporation. The Loan will bear interest at whatever rate is being charged by the Bank for new loans when the Loan Agreement is signed. This is calculated on the principal amount of loan withdrawn and outstanding from time to time. In addition there will be a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the loan not withdrawn from time to time.

The Loan is repayable over a period of 20 years with 5 years grace period. Repayment will start from 1st April/October 1978 in accordance with an agreed amortization schedule. The interest and other charges will be paid semi-annually.

Originally, the Corporation had requested the Bank for a Loan of fifty-two million five hundred thousand dollars ($52,500,000) but this has been reduced as a result of a Loan from the Government of Canada of equivalent of US$27,560,000 to the East African Community for relending to the Corporation, for the same projects. The Canadian Loan is interest free, repayable over 50 years with a grace period of 10 years, and is free from all service and commitment charges. The Government is not being called upon to guarantee it.

.../2

The E.A.H. Corporation is provided for in the Treaty for East African Co-operation and established under E.A.H. Corporation Act 1967. The Corporation has asked the International Bank for Reconstruction and Development and the Canadian Government to make the aforementioned Loan to assist it in financing Development Projects at Mombasa, Dar-es-Salaam and Tanga.

Parliament is now requested to agree that the Kenya Government extend to the International Bank for Reconstruction and Development joint and several guarantees in the sum of US$26,500,000.

The current total contingent liability of the Kenya Government in respect of guarantees given under section 3 of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amount to K£80,956,690. With the Guarantee of K£9,464,286 proposed in this sessional paper, the aggregate will be increased to K£90,420,976 of which K£33,368,147 will fall within paragraph (a) and K£57,057,829 within paragraph (b) of Section 3 of the Act.

Minister of Finance and Planning,
The Treasury,
NAIROBI.

11th September, 1972.